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DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON 25, D. C.

#187

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REPLY TO:

Auditor General  
Comptroller, USAF  
Hq Western District  
1206 Maple Avenue (Room 916)  
Los Angeles 15, California

4 August 1958

SUBJECT: Accounting Review of Termination Settlement Proposal (Interim)  
of Westinghouse Electric Corporation, Air Arm Division  
Baltimore, Maryland, relating to Item 12 of Contract FL-3011,  
Partially Terminated as of 2 October 1956

REF: Document #24874, 4 March 1958

TO: Contracting Officer

1. An accounting review has been made of the contractor's termination settlement proposal (interim) submitted on the inventory basis. The amount of the proposal is \$24,443.00, and reflects no disposal credits or advance, progress, or other payments. The review consisted of the analysis of the contractor's own charges of \$13,484.00, before the addition of profit of \$862.00 and settlements with subcontractors of \$10,097.00.

2. The contractor's accounting records were examined and selective tests were made of accounts and supporting records. Contractor's own charges, before inclusion of a variance adjustment, general and administrative expense, and settlement expenses, are in the same amount as costs relieved in the records for the continuing portion of Contract Item 12.

3. The indicated effective date of termination in the proposal, 2 October 1956, is the date of contractor's letter requesting confirmation of verbal advice received on 28 September 1956, that contract requirements for Contract Item 12 shall be reduced from 7 sets to 5 sets. The Contracting Officer's letter of confirmation was dated 10 October 1956.

4. At the time of the audit, no Statement of Allocability has been received from the Contracting Officer. For this reason, the auditor's recommendation in the succeeding paragraph is subject to such verification of the inventories as is deemed necessary by the Contracting Officer with respect to allocability, count, and stage of completion, technical requirements, and divertibility.

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#187, Accounting Review of Term Settlement Proposal (Interim) of Westinghouse Elec Corp, Air Arm Div, Baltimore, Md., relating to Item 12 of Contr FL-3011, Partially Term as of 2 Oct 56, 4 Aug 58 - (cont'd)

5. The following recommendations with respect to the items reviewed are submitted for the guidance of the Contracting Officer:

For Acceptance \$ 12,609

For Non-acceptance:

Excessive amount of variances  
applied to factory labor and  
overhead \$ 578

General and Administrative Expense  
(paragraph 6) 297 875

Contractor's Own Charges - Items 10  
and 12 of Settlement Proposal \$ 13,484

6. Comment on General and Administrative Expense: The amount of General and Administrative Expense recommended for non-acceptance is computed, as follows:

Costs in contractor's proposal to which rate of 17% was applied	<u>\$ 10,524</u>
G&A related to excessive variance of \$578 at rate of 17%	\$ 98
Difference between contractor's rate of 17% and auditor's rate of 15%, or 2% x costs of \$9,946	<u>199</u>
	<u>\$ 297</u>

Reference is made to paragraph 3a of supplement to report on price redetermination audit for Contract Items 7 and 10 through 15 in regard to the auditor's rate.

7. Although the termination claim was submitted as an interim proposal, it was represented as including all costs except for on increase in settlement expense. The proposal is subject to reduction for disposal credits, depending upon disposition of the termination inventory.

Project Supervisor  
Western District  
Auditor General